

DEPARTMENT OF AGRICULTURE

FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 5,640,526	\$ 7,122,406	\$ 6,491,234	\$ 6,472,675
Agriculture Business Development	2,807,304	3,617,760	3,205,840	3,225,867
Market Information and Outreach	80,417	923,068	1,105,308	1,081,313
Division of Animal Health	3,173,734	4,701,512	4,813,074	5,099,291
Division of Grain Inspection and Warehousing	2,030,567	3,250,618	2,844,318	2,887,651
Division of Plant Industries	2,657,431	2,866,009	3,101,589	4,209,763
Division of Weights and Measures	2,887,559	5,721,928	4,155,953	4,618,926
Missouri State Fair	4,340,946	4,875,262	4,875,262	4,856,405
State Milk Board	1,474,454	1,911,926	1,911,926	1,897,468
DEPARTMENTAL TOTAL	\$ 25,092,938	\$ 34,990,489 *	\$ 32,504,504	\$ 34,349,359
General Revenue Fund	13,139,227	13,317,171	13,119,273	13,076,492
Federal Funds	1,367,803	5,875,382	5,326,002	5,387,459
State Fair Fees Fund	3,748,726	4,285,644	4,284,015	4,308,464
Milk Inspection Fee Fund	1,218,068	1,766,240	1,752,179	1,756,604
Grain Inspection Fee Fund	1,198,891	2,608,787	1,924,061	1,952,310
State Contracted Manufacturing Dairy Plant				
Inspection and Grading Fee Fund	0	8,000	8,000	8,000
Petroleum Inspection Fund	1,707,191	2,509,616	2,238,775	2,264,838
Petroleum Violation Escrow Fund				
Marketing Development Fund	641,594	1,540,228	1,597,177	1,599,368
Other Funds	2,071,438	3,079,421	2,255,022	3,995,824
Full-time equivalent employees	417.31	457.75	449.75	491.35

* Does not include \$2 recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Agriculture supplemental appropriations.

POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$34.3 million for the Department of Agriculture. The department provides services for Missouri's agricultural producers, processors, and consumers of food, fuel, and fiber products. The core functions provided by the Department of Agriculture include:

- Promotion and development of Missouri's agriculture industry, including value-added businesses, both domestically and internationally.
- Protection of Missouri's livestock and domestic animals, and the businesses and citizens who rely on them.
- Inspection of Missouri's fresh fruits, vegetables, milk, feed, seed, and forest products.
- Regulation, control, and inspection of measuring devices and petroleum products.

Some measures of the health of Missouri's agricultural economy follow:

	2000	2001	2002
Missouri Net Farm Income (millions)	\$971.9	\$909.9	\$437.9
<i>(Decrease in 2002 is primarily due to drought conditions)</i>			
Cash receipts from the sale of Missouri agricultural products (billions)	\$4.725	\$4.820	\$4.402
Missouri livestock cash receipts (billions)	\$2.625	\$2.680	\$2.302
Missouri crop cash receipts (billions)	\$2.100	\$2.100	\$2.100
Value of Missouri agricultural exports (billions)	\$1.048	\$1.140	\$1.178
Missouri ethanol plant products in gallons (millions)	9.8	34.3	39.7

DEPARTMENT OF AGRICULTURE

POLICY SUMMARY (Continued)

Enhancing the Health and Safety of Missouri's Food Supply

In response to terrorist events in this country and to ensure a safe food supply, Missouri has made great strides in setting and implementing policies to improve detection, analysis, and surveillance of the state's livestock industry. In addition, Missouri is participating with the federal government and bordering states to address the Hypoxia issue in the Gulf of Mexico. Hypoxia, the depletion of oxygen in water caused by nitrogen fertilizers, has created a 7,000-square-mile dead zone at the base of the Mississippi in the Gulf of Mexico. All states with rivers and tributaries flowing into the Mississippi River contribute to the problem.

To protect the health and safety of the public, the Governor recommends:

- \$334,436 federal funds to enhance animal disease prevention and ensure a safe, wholesome food supply.
- \$146,302 federal funds to coordinate a Hypoxia Project to help Missouri's producers reduce nitrogen levels in water runoff.

Supporting New Markets and Promoting Agriculture

Missouri's farmers continue to seek new revenues through value-added programs. Organic products are one of the fastest growing sectors in the agricultural market and provide farmers with new avenues to expand their revenue base. Because the number of farmers is declining, attracting new entrepreneurs is imperative for the continuance of farming in Missouri.

To help promote agriculture in Missouri, the Governor recommends:

- \$127,500 other funds to operate the organic certification program authorized by HB 1348 (2002).
- \$125,000 federal and other funds for education programs directed at encouraging young and minority individuals to consider farming as a profession.
- \$9,875,000 federal and other funds for the ethanol incentive program to ensure the success of Missouri's ethanol plants. Ethanol is a major value added product benefiting the farmers, corn industry, and the environment.

Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Agriculture has aggressively improved the services it provides and reduced administrative costs by:

- Creating a grants management system to obtain additional federal and private funding. This resulted in a 227 percent increase of federal funds from \$1.1 million in Fiscal Year 2001 to \$3.6 million in Fiscal Year 2004.
- Implementing new testing technologies and installing new software programs to better serve the state's animal industry. This initiative resulted in an increase of sample tests performed in agriculture's animal health laboratories and increased the state's ability to locate and isolate animal health issues throughout the state.
- Providing on-site grain testing and inspections, reducing expenses, and providing more timely service to customers. On-site testing eliminates the need to transport samples back to the laboratory.
- Reducing operating costs by redefining grain regulatory territories. This change eliminates most overnight travel required by department staff to audit and regulate grain depositories in Missouri. The department also converted to a new grain audit software for greater efficiency and better risk-based analysis of licensed grain dealers and warehouses.
- Switching to new gas pump testing equipment to improve productivity, enhance employee and consumer safety, and reduce the likelihood of staff injuries.

DEPARTMENT OF AGRICULTURE

POLICY SUMMARY (Continued)

In addition to cost cutting measures already implemented, the Department of Agriculture plans to:

- Obtain Brucellosis-Free status and reduce the number of diagnostic tests required by the federal government.
- Improve customer service by reorganizing staff to meet specific client needs and allow for more efficient and effective use of existing resources.
- Upgrade grain audit software to allow for transference of information between the central office and field auditors, thereby saving on travel and communication expenses.
- Schedule events at the Missouri State Fair to increase and diversify attendance, and implement a preventive maintenance program to reduce costly building repairs.

Cuts Already Made

The Department of Agriculture has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. For example:

- Grain audit staffing has declined 17 percent over the last five years. These staff protect the interests of Missouri's grain producers by licensing, bonding, and auditing all businesses that store and/or purchase grain in the state. The budget reductions are jeopardizing the program's ability to meet statutory guidelines and protect Missouri's grain producers from losses associated with insolvent grain dealers.
- The Animal Health Division closed the Northwest Veterinary Diagnostic Laboratory in Cameron at the end of Fiscal Year 2003. This facility handled the laboratory component of the State Meat and Poultry Inspection Program and provided diagnostic testing for animal diseases in Northwest Missouri.
- Total general revenue staffing has declined 14 percent over the last three years. These reductions have limited the department's ability to ensure consumer protection and improve markets for Missouri's agricultural products. For example, the department has lost over one-half of the funding for the AgriMissouri Program, which assists businesses in the development, marketing, and promotion of Missouri-made food products. In addition, the department has lost one-third of its staff that ensures the quality of feed and seed products for Missouri's livestock industry and crop producers. It has also lost one-fourth of its staff performing propane and anhydrous ammonia safety inspections at public schools, nursing homes, day care centers, and other public facilities.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR

The Office of the Director makes policy decisions on agricultural issues, sets the department's goals and priorities, and coordinates activities of the various divisions to achieve those goals. The Office of the Director includes administrative functions such as human resources, fiscal services, public information, information technology, and statistical services. The Director's Office also administers the Ethanol Producer Incentive Program and the National Tobacco Growers Phase II Settlement Program.

Fiscal Year 2005 Governor's Recommendations

- \$363,245 federal and other funds for replacement vehicles for regulatory divisions.
- \$25,015 for pay plan, including \$19,471 general revenue.
- \$74,421 and two staff reallocated from the Division of Animal Health, including \$32,037 general revenue.
- (\$1,023,520) federal and other funds for one-time expenditures.
- (\$45,318) and (one) staff reallocated to the Division of Market Information and Outreach.
- (\$43,574) and (two) staff in core reduction from the Fiscal Year 2004 appropriation level.

DIVISION OF AGRICULTURE BUSINESS DEVELOPMENT

The Agriculture Business Development Division (ABD) increases the profitability of Missouri's farmers and agribusinesses by increasing international and domestic sales of agricultural products that are produced or processed in Missouri. The division provides six specific services: (1) business counseling, (2) domestic marketing assistance, (3) international marketing assistance, (4) industry facilitation, (5) product promotion, and (6) financial programs. The first five of these services are administered through the Business Services Program of ABD. Financial programs are administered through the Missouri Agriculture and Small Business Development Authority (MASBDA), which is governed by an independent board. MASBDA administers loans, loan guarantees, grants, and tax credits aimed at increasing the profitability of Missouri's farmers.

ABD staff are assigned to at least one of five customer teams: (1) Crops and Timber (also includes forages, feed ingredients, biomass and biofuels); (2) Livestock (also includes meat products and dairy); (3) Horticulture and Agritourism (also includes farmers markets); (4) Food Products; and (5) Grape and Wine (which administers the Grape and Wine program that is governed by an independent board). These teams work closely with commodity organizations and other industry partners to develop and implement strategies that meet client needs in each agricultural sector.

ABD also administers the AgriMissouri branding initiative which promotes products that are produced or processed in Missouri through a variety of marketing channels, including retail, restaurant, schools, institutions, and direct-to-consumer marketing. Over 500 Missouri businesses are members of AgriMissouri. Members of the Commission on the Marketing of Missouri Agricultural Products serve as advisors to the department's AgriMissouri marketing efforts.

Fiscal Year 2005 Governor's Recommendations

- \$1 on an open-ended basis for loan guarantees made under the Single-Purpose Animal Facilities Loan Guarantee Program.
- \$1 on an open-ended basis for loan guarantees made under the Missouri Value-Added Loan Guarantee Program.
- \$20,510 for pay plan, including \$14,084 general revenue.
- (\$400,483) in core reduction from the Fiscal Year 2004 appropriation level, including (\$483) general revenue.
- (\$11,922) reallocated to the Division of Market Information and Outreach, including (\$3,922) general revenue.

DEPARTMENT OF AGRICULTURE

DIVISION OF MARKET INFORMATION AND OUTREACH

The Division of Market Information and Outreach includes the Market News Program and the Education and Outreach Program. The Market News Program provides timely and unbiased price information that enables producers to make sound marketing decisions. Field market news reporters report market prices from throughout Missouri. This information is made available to the public daily through the Internet, media (including radio and newspapers), automated telephone reports, and the Weekly Market Summary.

The Education and Outreach Program provides targeted, high-quality information about agriculture and department services to urban, rural, and non-farm audiences. One example is the *Show Me Agriculture* magazine that is designed to meet Missouri's Show Me standards for fourth grade students and is used by more than 1,000 teachers and 25,000 fourth graders throughout the state. The program also encourages young men and women to pursue agricultural careers through programs such as the Missouri Agribusiness Academy and scholarship programs. The program also provides coordination and support for trade shows and conferences within and outside of the agricultural community. Examples include the Governor's Conference on Agriculture, Evening with AgriMissouri, Missouri Pork Expo, Agriculture Commodity Classic, State Fair, and other events.

Fiscal Year 2005 Governor's Recommendations

- \$125,000 federal and other funds to maximize federal spending authority for grants.
- \$12,490 for pay plan, including \$9,523 general revenue.
- \$45,318 and one staff reallocated from the Office of The Director.
- \$11,922 reallocated from the Division of Agriculture Business Development, including \$3,922 general revenue.
- .75 staff reallocated from the Division of Grain Inspection and Warehousing.
- (\$36,485) and (.90) staff in core reduction from the Fiscal Year 2004 appropriation level.

DIVISION OF ANIMAL HEALTH

The Division of Animal Health implements regulations and programs to protect Missouri's livestock, poultry, and other domestic animals from dangerous, infectious, or contagious diseases. This includes enforcement of regulations as required under Section 267.230, RSMo, which gives the director of the Department of Agriculture the authority to designate certain employees to intercept, stop, or detain for official inspection any vehicle carrying livestock in the state. Through control and elimination of diseases and diseased animals, the division enables Missouri's livestock and poultry to remain eligible for interstate and international export marketing. Diagnostic laboratories are maintained in Jefferson City and Springfield, and additional professional services are contracted for with the University of Missouri-Columbia College of Veterinary Medicine.

The Division's Meat and Poultry Inspection Program works with producers to promote, protect, and develop the agricultural interests of Missouri processed meat products. This program helps livestock and poultry producers add value to their operations and capture additional profits from their meat products. To ensure the health and well being of companion animals sold in Missouri, the division also licenses and inspects animal shelters, dog pounds, boarding kennels, commercial kennels, contract kennels, and pet shops.

Fiscal Year 2005 Governor's Recommendations

- \$334,436 federal funds and one staff to maximize federal spending authority for Homeland Security and disease prevention grants.
- \$237,061 other funds and four staff to continue operation of animal health programs, using fee funds.
- \$38,850 federal funds and one staff for the Homeland Security program.
- \$22,000 other funds to enhance the animal care facility program.
- \$50,439 for pay plan, including \$34,361 general revenue.
- (\$125,381) for one-time expenditures, including (\$65,912) general revenue.
- (\$85,205) and (three) staff in core reductions from Fiscal Year 2004 appropriation level.
- (\$74,421) and (two) staff reallocated to the Office of the Director, including (\$32,037) general revenue.

DEPARTMENT OF AGRICULTURE

DIVISION OF GRAIN INSPECTION AND WAREHOUSING

The Division of Grain Inspection and Warehousing operates four programs to assist Missouri grain farmers and agribusinesses. The Grain Regulatory Services Program enforces the provisions of the Grain Warehouse Law, Chapter 411, RSMo, and the Grain Dealers Law, Section 276.401-276.581, RSMo, to ensure grain producers that license grain warehouses and grain dealers are reputable businesses in sound financial condition.

The Grain Inspection Services Program provides official inspection and weighing of grain upon request to assist both grain farmers and grain businesses in the marketing of Missouri's corn, soybean, wheat, and other grain crops. The program covers all costs of operation by charging fees for services performed, which are deposited in the grain inspection fee fund.

The division also administers the state's Certified Agricultural Mediation Program (CAMP), which mediates disputes between Missouri farmers and USDA agencies, and the Commodity Merchandising Program, which provides centralized administration for the collection and distribution of fees for nine commodity check-off programs.

Fiscal Year 2005 Governor's Recommendations

- \$36,012 other funds and one staff for reinstatement of a position lost to early retirement reductions.
- \$43,827 for pay plan, including \$13,614 general revenue.
- (\$436,506) and (5.25) staff in core reductions from Fiscal Year 2004 appropriation level, including (\$494) general revenue.
- (\$6,300) federal funds for one-time expenditures.
- (.75) staff reallocated to the Division of Market Information and Outreach.

DIVISION OF PLANT INDUSTRIES

The Division of Plant Industries operates six programs and two laboratories serving Missouri agriculture. The Feed and Seed Program performs sampling and laboratory analyses of crop seeds and commercial feeds to ensure that they meet requirements for accurate labeling. Inspections are also conducted to ensure good manufacturing practices are followed and that prohibited mammalian protein is not formulated into feed rations to help prevent the dissemination of BSE (Mad Cow Disease).

The Pesticide Control Program promotes the safe use of pesticides by licensing private and commercial applications, conducting field inspections, conducting investigations of pesticide misuse, and ensuring the proper registration of pesticides. The Plant Pest Control Program conducts inspections of nurseries, greenhouses, and other plant products to prevent the introduction and dissemination of insect, disease, and noxious weed pests that could be detrimental to plants and crops. Phytosanitary certification inspections are also conducted for plant materials being exported to other states and countries.

The Integrated Pest Management Program (IPM) promotes effective alternative strategies to traditional pest control through the use of biological control agents, pest resistant varieties, and adoption of improved cultural practices. The IPM Program also administers the Boll Weevil Eradication Program and the Organic Certification Program. The Forest Resources and Weed Control Program inspects treated wood products to ensure that minimum preservation standards are met and assists county weed control boards in the control and eradication of Johnson grass, a noxious weed. The Fresh Fruit and Vegetable Inspection Program performs shipping point and terminal market inspections of fresh produce to facilitate the sale of Missouri grown produce and ensure the quality of produce sold to consumers.

Fiscal Year 2005 Governor's Recommendations

- \$600,000 other funds and 16 staff to continue operations of the feed and seed program using fee funds.
- \$470,555 other funds and 12 staff to continue operations of the plant industries program using fee funds.
- \$177,302 federal funds to maximize federal spending authority for multi-state cooperative to reduce nitrogen in rivers and their tributaries.
- \$127,500 other funds and .25 staff for enhancing the organic certification program.
- \$38,809 for pay plan, including \$30,411 general revenue.
- (\$61,046) and (two) staff in core reductions from Fiscal Year 2004 appropriation level.
- (\$9,366) other funds for one-time expenditures.

DEPARTMENT OF AGRICULTURE

DIVISION OF WEIGHTS AND MEASURES

The Division of Weights and Measures operates four regulatory programs and two laboratories to fulfill its goal of protecting consumers. The Device and Commodity Program inspects livestock market, grain elevator, vehicle, and small retail scales and scanning devices to ensure their accuracy. In addition, milk sales practices are monitored and shell eggs are inspected for quality.

The Petroleum/Propane/Anhydrous Ammonia Program protects consumers against inaccurate and unsafe gasoline pumps and unsafe practices by the retailer. They also inspect public institutions, commercial facilities, mobile homes that store and use propane, and LPG-converted vehicles (including school buses) to protect lives and property from fire and explosions. In addition, they approve propane gas dispenser meters to prevent overcharges on fuel bills and oversee anhydrous ammonia fertilizer installations for safety.

The division's Metrology Laboratory certifies volume and weight standards used by service company repair technicians; maintains all mass, volume, and length standards used by industry; and certifies all weighing and measuring devices used by the division's inspectors. In addition, the Moisture Meter Program protects Missouri farmers against unjustified discounts on grain sales due to inaccurate moisture content values.

The Fuel Quality Program and laboratory collect samples and perform chemical analyses on gasoline, diesel fuel, heating oil, and other fuels to ensure that octane and other quality specifications are met.

Fiscal Year 2005 Governor's Recommendations

- \$415,880 other funds and 15 staff to continue operations of the weights and measures program using fee funds.
- \$48,158 for pay plan, including \$21,129 general revenue.
- (\$1,228,125) and (one) staff in core reductions from Fiscal Year 2004 appropriation level, including (\$28,125) general revenue.
- (\$338,915) other funds for one-time expenditures.

DEPARTMENT OF AGRICULTURE

MISSOURI STATE FAIR

The Missouri State Fair is held annually in August on the state fairgrounds in Sedalia. The fair provides a showcase for livestock, agricultural products, commercial exhibits, and other displays. In addition, the fair offers a variety of entertainment and educational events. The fairgrounds also are available during the rest of the year for various types of exhibits, sales, meetings, and entertainment.

Fiscal Year 2005 Governor's Recommendations

- \$45,189 for pay plan, including \$20,953 general revenue.
- (\$64,046) and (1.5) staff in core reductions from Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
State Fair Administration	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
DIVISIONAL TOTAL	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
PERSONAL SERVICE			
General Revenue Fund	589,574	597,762	554,669
State Fair Fees Fund	772,537	1,019,942	1,044,178
EXPENSE AND EQUIPMENT			
General Revenue Fund	15,534	0	0
State Fair Fees Fund	2,942,476	3,194,068	3,194,068
State Fair Trust Fund	2,165	10,000	10,000
PROGRAM SPECIFIC DISTRIBUTION			
State Fair Fees Fund	18,660	53,490	53,490
TOTAL	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
General Revenue Fund	605,108	597,762	554,669
State Fair Fees Fund	3,733,673	4,267,500	4,291,736
State Fair Trust Fund	2,165	10,000	10,000
Full-time equivalent employees	59.60	61.75	60.25

DEPARTMENT OF AGRICULTURE

STATE MILK BOARD

The State Milk Board inspects, samples, and tests milk and milk products ensuring that they are wholesome and safe for consumption. The board operates both a Grade A milk program and a manufacturing grade program to ensure milk quality. An inspection fee of five cents per one hundred pounds of Grade A milk is assessed and deposited in the milk inspection fee fund to cover all costs of the Grade A program. The manufacturing grade program, which ensures sanitation and quality standards for milk used only for manufacturing dairy products (e.g. cheese, butter, and ice cream), is funded from general revenue because inspection fees have not been assessed on manufacturing grade milk producers. Approximately one-half of all Grade A milk is consumed as fluid milk with the remainder used for manufacturing purposes.

Fiscal Year 2005 Governor's Recommendations

- \$6,621 for pay plan, including \$2,222 general revenue.
- (\$21,079) and (one) staff in core reductions from Fiscal Year 2004 appropriation level.